

Monday, June 13, 2016



Bolloré signs historic deal for Timor-Leste's huge new port

Turloch Mooney, Senior Editor, Global Ports | 10 June 2016

)



An artist's impression of the new port at Tibar Bay. Source: Bolloré Group

France's Bolloré Group signed a 30-year, USD490 million concession contract with the Southeast Asian state of Timor-Leste for the building of the country's primary international seaport.

The historic deal is the first public-private partnership (PPP) undertaken in the post-conflict country as well as the largest ever investment with a private partner.

The greenfield project will replace the existing capacity-strained and congested port of Dili with a modern container port at Tibar Bay, about 12 km from the capital, with the capacity to handle up to 350,000 teu. It will take three years to build the new port.

The International Finance Corporation (IFC), a division of the World Bank that advised the government on the PPP transaction, said the total cost of the project could be up to USD650 million. IFC estimates total construction costs

will be between USD290 and USD390 million, with capital expenditure for operations between USD190 million and USD260 million.

The port will consist of a 630 m wharf with 15m draught and 24 ha container yard. Two ship-to-shore cranes and five rubber-tired gantry cranes will be employed at the start of operations.

“Strong economic growth is expected to drive continued import demand and cargo growth from around 50,000 teu in 2012 to a forecast 350,000 teu in 2040,” said Jakarta-based Laurent Fremy of the IFC.

Dili Port is a small facility originally built for break-bulk operations and has a wharf length of 285 m and an alongside depth of just 7 m. It can handle vessels of up to 500 teu only and there are delays in berthing when several vessels arrive at the same time.

The frequency of delays is increasing, cargo volumes are growing, and port capacity is limited on the landside. Dili is expected to experience critical congestion levels by 2018.

The concession deal is for a 30-year term on a build-operate-transfer basis, during which time the government will receive royalties, fees, and taxes from the operation of the port.

in a statement announcing the signing of the deal, Bolloré said, “Timor-Leste’s new container terminal will target productivity and performance levels in line with those of the world’s biggest ports.”

Timor-Leste has USD10 billion in sustainably managed funds from its oil reserves which it is using to rebuild its economy and GDP has been growing steadily in recent years, rising by 6.2% in 2015 and projected by the Asian Development Bank to grow by 6.6% in 2016. Development of the port is part of a 20-year strategic development plan to build core infrastructure.

Cargo throughput has been growing steadily and economic and population growth are expected to drive steady growth in the demand for containerised cargoes. As per capita income increases, there is also high growth anticipated in non-containerised cargo such as vehicles and construction materials.

According to Fremy of the IFC, structuring the deal presented some significant challenges, in part because there was no previous experience of PPP transactions in Timor-Leste.

Fremy added that there was a challenge in determining an appropriate financial structure because of many moving parts, such as uncertainties regarding inflation, determination of appropriate and realistic revenue levels during, for instance, the transition phase, the moving of operations from Dili to Tibar Bay, and more.

Bolloré Logistics has been operating in Timor-Leste since 1999 and is the largest logistics support services company in the country, providing services including freight forwarding, customs brokerage, and stevedoring.

Contact Turloch Mooney at turloch.mooney@ihs.com (<mailto:turloch.mooney@ihs.com>)